Amoco Canada
Petroleum Company Ltd.

Annual Report
1979

CONTENTS

	1979	1978*	% Change
Financial			
Total Revenues	**$ 862 323 000**	$ 691 679 000	+ 25
Net Income	**140 696 000**	102 382 000	+ 37
Funds Provided from Operations	**266 355 000**	188 988 000	+ 41
Capital and Exploration Expenditures	**363 262 000**	276 552 000	+ 31
Total Assets	**1 209 475 000**	1 005 966 000	+ 20
Working Capital	**86 520 000**	103 851 000	− 17
Operating			
Crude Oil and Natural Gas Liquids,			
Net Production (cubic metres per day)	**9 122**	8 257	+ 10
Natural Gas Sold (thousand cubic metres per day)	**7 547**	6 909	+ 9
Land Holdings (thousand hectares)			
Gross	**11 322**	11 459	− 1
Net	**5 759**	5 775	—
Proved Reserves (Net) - at December 31			
Crude Oil (thousand cubic metres)	**30 505**	33 393	− 9
Natural Gas Liquids (thousand cubic metres)	**7 073**	7 311	− 3
Natural Gas (million cubic metres)	**59 043**	54 166	+ 9
Sulphur (thousand tonnes)	**6 484**	5 722	+ 13

**Restated — Refer to Notes to Financial Statements*

Note: *Financial data throughout this report are stated in Canadian dollars and will not agree with those reported for Canadian operations in the annual report of the parent company, Standard Oil Company (Indiana), which are stated in United States dollars. Other variances are the results of differences between Canadian and United States accounting practices.*

Amoco Canada Petroleum Company Ltd. is a wholly owned Canadian subsidiary of Standard Oil Company (Indiana).

This expanded version of our annual report is prompted in part by our first public financing in early 1979 when $100 million in Amoco Canada debentures were sold to Canadians. While the report provides updated information to our debenture holders and to the investment community as a whole, we are distributing it to a wider audience in the hope that it will contribute to a better understanding of the role companies such as ours play in Canada's petroleum industry.

At a time when energy tops the list of public concerns, in-depth public awareness of the problems and opportunities that challenge the energy industry is a very rare commodity. Oil companies, particularly foreign owned oil companies, are popularly viewed as making large profits at public expense.

Figures released by the Canadian Petroleum Association for 1978, the most recent available, show that the exploration and production sector of the petroleum industry reinvested over 100 per cent of its cash flow in the search for and development of new sources of oil and gas. Amoco Canada's reinvestment for that year was 105 per cent and was 104 per cent for 1979. Industry-wide dividend payments to corporate ownership in 1978 averaged just over 22 per cent of net income for the petroleum industry as a whole. Our own company's dividend record is detailed in the report. Within this framework, our exploration expenditures along with those of our competitors increased substantially.

The following brief review of the year's highlights for Amoco Canada, and the more detailed report which follows, provide facts on our company's operating and financial performance during 1979.

Amoco Canada's net income after taxes was $140.7 million or 16.3 per cent on revenues of $862.3 million. This represents an increase in net income of 37.4 per cent over the previous year. Capital and exploration expenditures were $363.3 million. These expenditures increased by 31.3 per cent over those of 1978.

Prior to 1973, we relied on the financial resources of our parent company, Standard Oil Company (Indiana), to sustain and expand our business in Canada. From the beginning of Canadian operations in 1948 to 1972, our parent company invested a total of $468.0 million in our business without any return. By year end 1979 — more than 30 years after the initial investment was made — our return to the parent company was still more than $74.0 million short of repaying our parent's total investment in us.

Amoco Canada is the third largest acreage holder in the Western Sedimentary Basin in west-central Canada, a position we have been able to maintain for many years. We believe that this regional area holds significant oil and gas reserves which can be explored, developed and delivered with the least risk and with minimum lead times compared to other parts of the country which are isolated from markets and may require technology still to be developed for producing new discoveries. We are aggressively pushing ahead with our program of exploration and development in the Western Sedimentary Basin.

Intensive drilling activity during the past several years has resulted in very substantial additional reserves of natural gas. In December, the National Energy Board recommended, and the federal government authorized, the export of an additional 106.2 billion cubic metres (3.8 trillion cubic feet) of natural gas over an eight-year period. The bulk of the new natural gas export volumes approved were those applied for by Pan-Alberta Gas Ltd. and ProGas Limited. Amoco Canada has committed substantial quantities of its shut-in gas reserves to both of these projects. Present indications are that we will be the largest single supplier to each of them.

The dissolution of Parliament in December added delay and uncertainty to the shaping of national energy policy for Canada and to the role which industry can and must play in helping the country achieve its energy objectives. The suspension of negotiations between the federal government and the Province of Alberta, aimed at reaching agreement on future domestic crude oil prices, and on an all-important revenue-sharing formula, has, for example, delayed oil sands and heavy oil projects which are essential to Canada's achievement of petroleum self-sufficiency. An adequate cash flow, a stable fiscal regime and a reasonable return on investment are essential if the national goal of reduced reliance on foreign oil is to be achieved.

We look to our new government in Ottawa, as well as to its seasoned counterpart in the government of Alberta, to quickly set things right so that we, the industry, can get on with the important job of improving our domestic supply of crude oil and natural gas.

The industry's views on crude oil self-sufficiency, and related issues, received wide exposure during the year as our company president delivered speeches and held press conferences literally from coast to coast across the country as Chairman of the Canadian Petroleum Association's Board of Governors.

In 1979 two outside Directors were elected for the first time to Amoco Canada's Board of Directors. In July, our parent company's Board of Directors held its summer meeting in Calgary at our offices.

Amoco Canada is well-positioned to remain a leader in Canadian petroleum exploration and development. Supported by the financial and technical resources of our parent company, with a highly skilled and dedicated Canadian work force, an excellent exploratory acreage position and an enviable competitive record, Amoco Canada can make an important contribution to Canada's national energy supply goals during the 1980's while achieving our challenging corporate objectives.

George H. Galloway
Chairman of the Board

F. H. Allen

Fraser H. Allen
President

March 17, 1980

Amoco Canada has been a major participant in Canada's oil and gas industry for more than 30 years. Corporate growth has in the main been achieved by the efforts of management and employees, rather than by the acquisition of other companies.

Operations began in Calgary in 1948 as the Canadian Division of Stanolind Oil and Gas Company, a wholly owned subsidiary of Standard Oil Company (Indiana), with headquarters in Chicago, Illinois. The Canadian Division of Stanolind made its first commercial discovery in 1952 at St. Albert, north of Edmonton.

During 10 years of intensive activity, Stanolind built from the Pembina oil discoveries of 1954 by acquiring acreage in the Drayton Valley area.

In 1957, the company changed its name to Pan American Petroleum Corporation. In the same year Pan American made an important crude oil discovery at South Swan Hills northwest of Edmonton. About 32.6 per cent of Amoco Canada's current crude oil and natural gas liquid production still originates in this area. Two years later, Pan American achieved a series of important gas discoveries in northern British Columbia, on the Yukon-Northwest Territories border, and at Pine Creek, East Crossfield, Bigstone and Marten Hills in Alberta. In 1961, we acquired the Canadian assets of Honolulu Oil Corporation, as part of Pan American's acquisition of that company's entire North American holdings outside California.

With expanding natural gas production and markets, Pan American built a number of gas processing and sulphur recovery plants.

A night view of the Amoco Canada Petroleum Company Ltd. offices in downtown Calgary.

In June of 1969 Amoco Canada Petroleum Company Ltd. was incorporated with a federal charter and assumed all of the operations and properties of the Canadian Division of Pan American and its subsidiaries. In December of 1975, Amoco Canada acquired all of the Canadian assets of Midwest Oil Production Ltd.

At the end of 1979, Amoco Canada was the second largest natural gas producer and the sixth largest producer of petroleum liquids, making it the fifth largest oil and natural gas producer in the country. The company has substantial interests in conventional oil and gas fields in central Alberta and eastern British Columbia and is directly involved in research and production projects related to oil sands and heavy oil.

Alberta and British Columbia continued to be the focus of Amoco Canada's petroleum exploration programs during 1979.

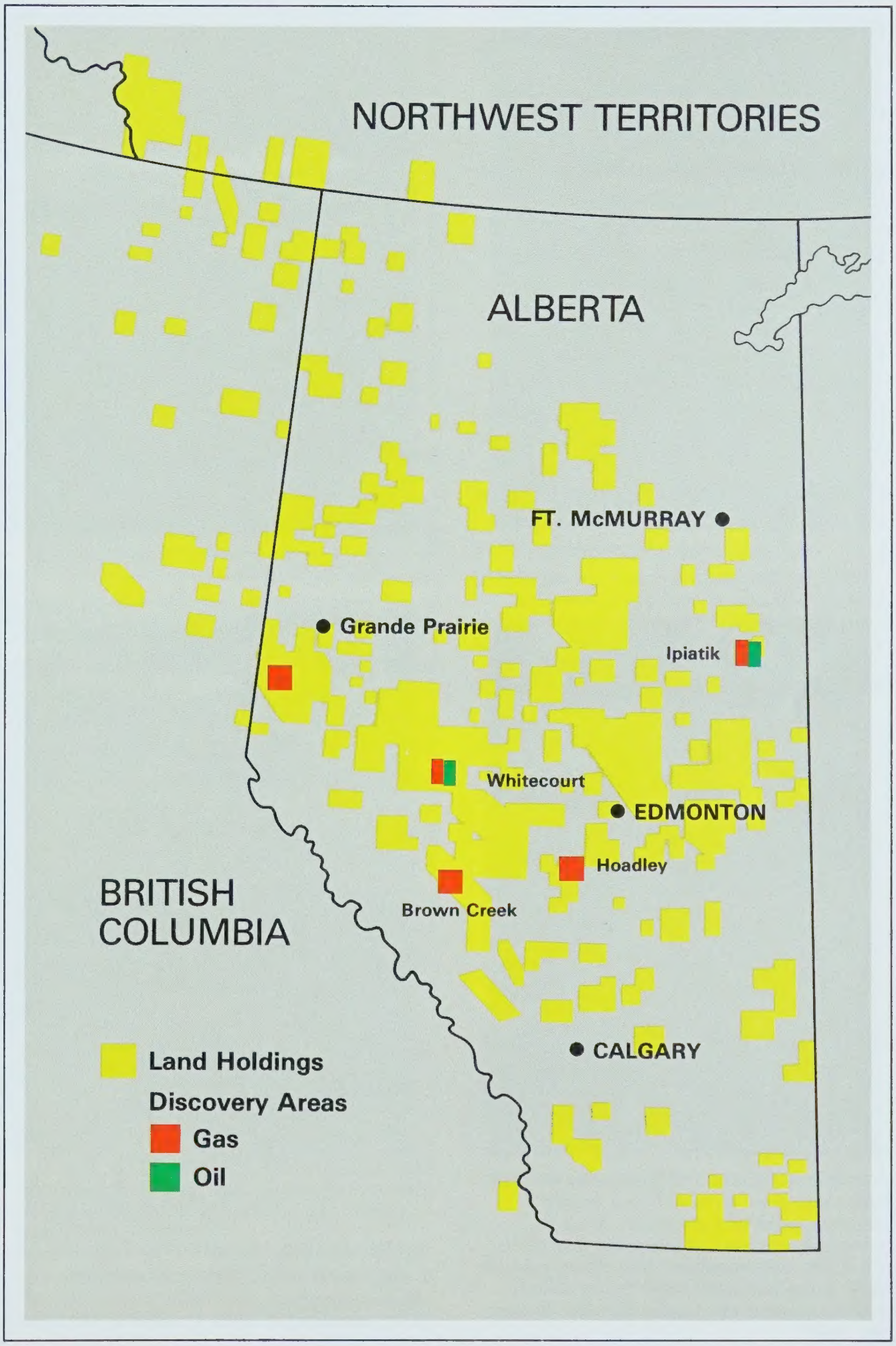
The company participated in the completion of 231 exploratory wells and field extension wells during the year, resulting in 168 discoveries. 131 wells were completed as gas producers and 37 wells as oil producers. At year end the company had 82 potential discoveries waiting on completion. Farmout programs, mainly concentrated in eastern Alberta, resulted in 64 additional wells drilled free of cost to the company.

Exploration expenditures totalled $284.6 million in 1979, an increase of 42.8 per cent over 1978. Continued high levels of activity are anticipated for 1980.

On an energy equivalent basis, our 1979 discoveries, extensions and revisions to previous estimates replaced 129 per cent of our production.

In the Grande Prairie area, located 385 km (240 miles) northwest of Edmonton, a major drilling program was undertaken in 1978. Of 73 wells drilled in this play to the end of 1979, 67 are gas wells or potential gas wells. Discoveries by our company and others in the area continue to indicate the potential of one of the largest natural gas accumulations in North America. Much of the gas is in tight formations requiring massive hydraulic fracturing techniques to obtain commercial production. Our most successful wells encountered at least one zone which did not require such stimulation. In the "Grande Prairie Block", the company has 134 165 hectares (331 521 acres).

Location of Amoco Canada's western Canadian land holdings and major discovery areas.



The West Pembina D-2 pinnacle reef play was continued into 1979 with an active exploration and development program. Amoco Canada participated in the completion of 6 oil and 5 gas wells from the D-2 and other zones. Seventeen separate reef accumulations have been found since the play commenced. The majority of wells that did not encounter production from Devonian reefs were found capable of production from shallower zones.

In the Whitecourt area of west-central Alberta the company participated in the completion of 20 wells which resulted in 2 oil wells and 10 gas wells. In addition, 18 extension wells were completed, 8 of which were gas wells. This program is a continuation of an on-going exploration effort in this area which began in the early 1960's. Early activity centered on the deep Devonian formations; more recently, however, the company's activities have been directed towards exploration of the shallower Cretaceous formations with promising results. The drilling program will continue through 1980.

In the Hoadley area 85 km (55 miles) southwest of Edmonton, 5 wells were drilled in 1979. All of the wells have been successfully completed as gas wells.

About 200 km (125 miles) west of Edmonton, Brown Creek is the site of one of our most exciting gas discoveries in recent years. Excellent flow rates were generated by the initial discovery well in the Beaverhill Lake formation. During the 1979-80 winter season, a further 6 step-out wells were drilled to evaluate the reserve potential.

The Company was also active in a number of areas in eastern Alberta. On the East Ipiatik block of the Primrose Air Weapons Range, Amoco Canada has committed to drill 72 wells prior to 1981. Thirty-five wells were drilled in 1979, 31 of which are gas productive. Significant reserves of heavy oil were also encountered.

LAND HOLDINGS — AS AT DECEMBER 31, 1979

	Crown Reservations Licences and Permits (1)		Leases (2)	
	Gross Hectares (3)	Net Hectares (3)	Gross Hectares (3)	Net Hectares (3)
Alberta	782 837 (4)	558 301 (4)	3 815 248 (5)	2 063 390 (5)
Arctic	940 826	199 810	36 590	10 353
British Columbia	310 586	207 349	294 550	163 597
East Coast Offshore	3 359 042	1 440 456	—	—
Ontario	—	—	264 648	264 648
Yukon and Northwest Territories	1 089 522	542 129	427 815	308 925
	6 482 813	2 948 045	4 838 851	2 810 913

(1) Crown reservations, licences and permits relate to large blocks of land acquired from the federal Government and various provincial governments through application or competitive bidding and confer upon the holder the right to explore for oil and gas, and to lease oil and gas rights under varying percentages of the land covered. The holder is generally required to make cash payments or to undertake specified amounts of work in order to retain the rights to the land. Crown reservations, licences and permits shown are prior to conversion to leases.

(2) Leases in general confer on the lessee the right to explore for and remove oil and gas from the leased land subject to rental and or reserved royalty to the lessor.

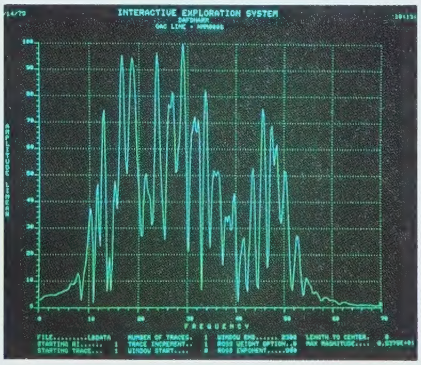
(3) "Gross hectares" represent total hectares in which the Company has a working interest. "Net hectares" represent the interest of the Company in gross hectares.

(4) Includes oil sands options aggregating 11 914 gross and net hectares.

(5) Includes oil sands leases aggregating 97 422 hectares (84 050 net hectares).

The discovery well in the Beaverhill Lake formation near Brown Creek in the foothills west of Edmonton, Alberta, provided Amoco Canada with one of its most promising natural gas discoveries in 1979. Step-out wells now being drilled are confirming the high potential of this gas play.

A helicopter carries a portion of a drilling rig to a drilling location in the East Ipiatik Block of the Primrose Air Weapons Range near Cold Lake, Alberta. Summer muskeg conditions in the area make helicopters mandatory for the movement of men and materials in this gas and heavy oil play featuring year-round drilling activity by Amoco Canada.



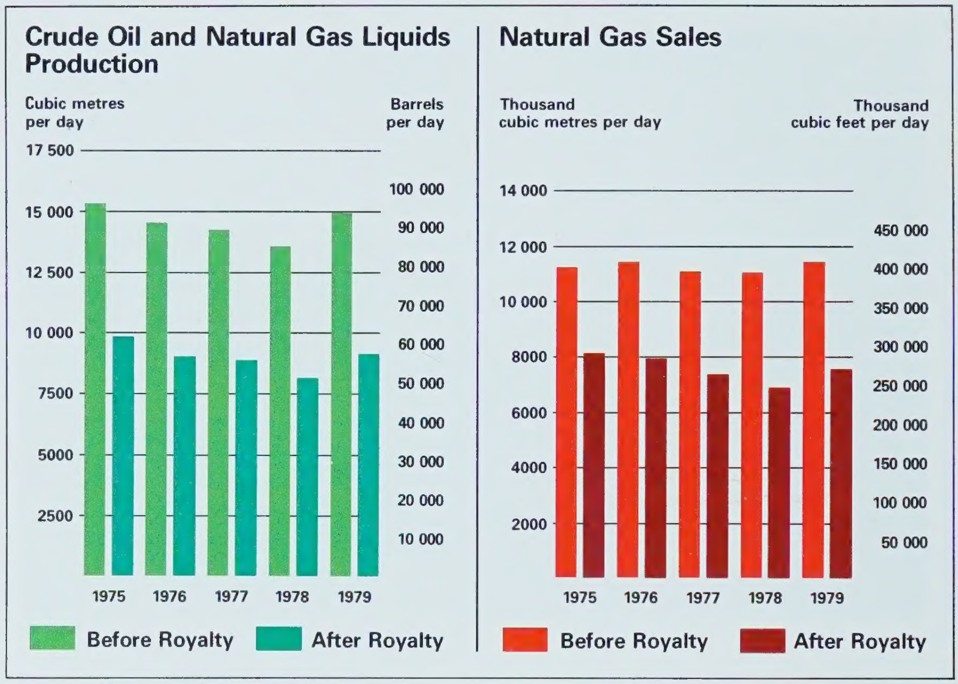
Amoco Canada's exploration activities are enhanced by the rapid turnaround of seismic processing analysis provided by the Interactive Exploration Systems:
Top: Foster Jansen, staff exploration technologist, uses the terminal to in-put information to the system that will generate a display of seismic data for analysis by a geophysicist; Bottom: Harjit Mann, computer operator, monitors the performance of a computer while it is processing seismic data; Right: a frequency analysis of seismic data is displayed on a Graphics Monitor.

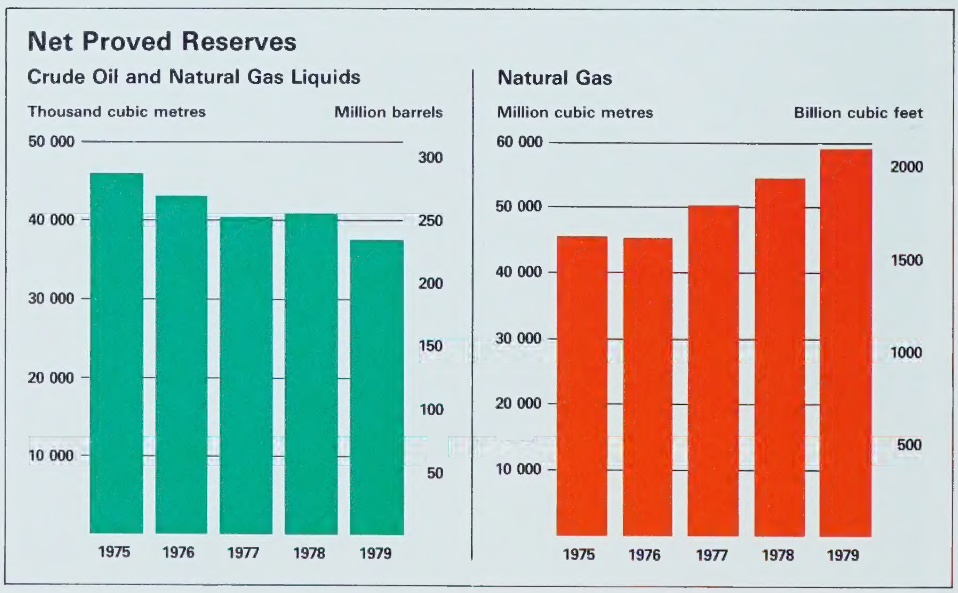
Central Alberta — particulary the Swan Hills, Caroline-Ricinus and West Pembina areas — was the primary focus of Amoco Canada's production-related activity during the year. Expenditures for development drilling and production equipment in these areas accounted for about 27.0 per cent of the Producing Department's total capital expenditure of $70.7 million.

Development Drilling

Excluding field extension drilling, development drilling costs totalled $22.5 million in 1979. A total of 18 gross development wells were completed by the company and we participated with other companies in the completion of an additional 27 gross wells.

Twelve wells were drilled in the three major areas of activity in the central Alberta region, while new discoveries in the Grande Prairie segment of the Deep Basin, at Brown Creek, and in the Hoadley area prompted important development drilling activity in those areas.





Production Facilities

A total of $48.2 million was spent on production equipment and facilities. Significant construction projects were initiated and completed during the year at Swan Hills, Leismer, Three Hills and Lanaway. Additions to enhanced oil recovery facilities at South Swan Hills accounted for a major portion of facilities expenditures.

Included in production equipment and facilities expenditures is a total cost for gas processing construction of approximately $8.9 million. Amoco Canada has an interest in 75 gas processing plants, of which the company operates 32. The company also operates 39 major crude oil processing and injection facilities.

During 1979, Amoco Canada's net production of crude oil and natural gas liquids averaged 9122 cubic metres per day (57 500 barrels per day) compared to 8257 cubic metres per day (51 961 barrels per day) in 1978. Net daily natural gas production averaged 7738 x 10^3 m^3 (274.7 million cubic feet) compared to 7346 x 10^3 m^3 (260.7 million cubic feet) in 1978. Sulphur production averaged 1534 tonnes (1510 long tons) per day, an increase of 29.6 per cent over that of 1978.

This compressor building is a part of Amoco Canada's new gas processing facilities at Leismer, Alberta, northeast of Edmonton. The plant, which is wholly owned by the company, came on stream in 1979.

Reserves

Crude oil and natural gas liquid reserves remaining at year end totalled 37 578 x 10^3 m^3 (236.3 million barrels), while natural gas reserves amounted to 59 043 x 10^6 m^3 (2.1 trillion cubic feet). Sulphur reserves amounted to 6.484 x 10^6 tonnes (6.4 million long tons).

Following an industry-wide trend, the company has experienced a gradual decline in net liquid reserves over the past five years, except in 1978 when discoveries in the West Pembina area from Nisku D-2 pinnacle reefs resulted in a modest increase. In addition to production, the decline in the company's net liquid reserves can be attributed in part to increases in provincial royalties which are price-related.

Marketable natural gas reserves have increased by 13 379 x 10^6 m^3 (0.5 trillion cubic feet) over the past four years, and by 4877 x 10^6 m^3 (0.2 trillion cubic feet) in 1979. Much of this gas is surplus to the company's existing markets.

Amoco Canada's pilot plant project at Gregoire Lake near Fort McMurray, Alberta is testing a patented in situ method of bitumen recovery from deeply buried oil sands deposits. Most of Alberta's oil sands occur at depths which make bitumen recovery by existing commercial open pit mining techniques impractical.

Gas Marketing

On December 6, 1979, the federal government authorized new exports of natural gas to ten purchasing companies in the United States totalling approximately 106.2 billion cubic metres (3.8 trillion cubic feet) over an eight year period. All these new exports are now subject to U.S. import approval and to construction of the necessary pipeline facilities.

Amoco Canada is the major supplier to the two largest exporters, Pan-Alberta Gas Ltd. and ProGas Limited. We have contracted to supply daily rates of 1465 x 10^3 m^3 (52 million cubic feet) from eight properties to ProGas and up to 4226 x 10^3 m^3 (150 million cubic feet) from approximately 40 properties to Pan-Alberta. The contracts are subject to receipt of all approvals and deliveries cannot begin until at least November 1, 1980. Amoco Canada will be selling natural gas to six other exporting firms and in addition to the above sales from new properties to ProGas and Pan-Alberta, this will also result in slightly increased levels of production from many of the company's existing gas properties.

Enhanced Oil Recovery

Amoco Canada is engaged in the application of enhanced oil recovery techniques to increase recoverable oil from conventional reservoirs.

Currently, three miscible flood type projects, located in Rainbow South, Ante Creek and South Swan Hills, are being operated by the company. The Alberta Energy Resources Conservation Board estimates that these projects are expected to recover an additional 20 x 10^6 m^3 (126 million barrels) of oil (9 x 10^6 m^3 net Amoco) over that obtainable by waterflooding. Four additional projects are in the planning stages.

Approximately 10 per cent of our net crude oil production in 1979 resulted from enhanced oil production techniques. Of the remainder, virtually 90 per cent was recovered from existing crude oil reservoirs using secondary recovery techniques.

Oil Sands and Heavy Oil

Amoco Canada holds large oil sands and heavy oil acreages. Recent upward movements in world prices for crude oil combined with increasingly uncertain supplies of imported crude oil have added impetus to oil sands and heavy oil research and development projects. Amoco Canada is involved in a number of projects designed to capitalize on the large resource base represented by its oil sands and heavy oil land holdings.

a) Gregoire Lake

Amoco Canada's pilot project at Gregoire Lake in the Athabasca oil sands near Fort McMurray was designed to evaluate our experimental in situ method of recovering oil from the oil sands.

During 1979 Amoco Canada and its partners continued the pilot project begun in 1977 and preceded by Amoco Canada research dating back 21 years.

Amoco Canada, the project operator, holds a 12.5 per cent working interest. Project expenditures at the end of 1979 were $36.0 million.

Major Alberta oil sands and heavy oil deposits.

A crane positions new water-handling equipment at one of the many oil processing facilities which are a part of Amoco Canada's enhanced recovery project at South Swan Hills northwest of Edmonton, Alberta.

The viscosities of conventional crude oil and heavy oil are demonstrated by exploration technologist James Ebert.

b) Alsands Mining Project

The company, with its 10 per cent working interest, is the second largest owner in the Alsands project, which by year-end had received preliminary approval from the Alberta Energy Resources Conservation Board.

The project is expected to supply approximately 22 250 cubic metres per day (140 000 barrels per day) of synthetic crude oil and liquefied petroleum gas to the Canadian market from a surface mining project in the Athabasca oil sands deposit near Fort McMurray. The current cost estimate for the project in as-spent dollars is $6.7 billion. At year end, the project was still awaiting government approvals.

c) Other Activities

Among other oil sands and heavy oil projects in which the company was involved during the year was the pilot deep oil sands in situ recovery project near Peace River, Alberta, in which the company acquired a 12.5 per cent interest. The company also began construction of a $1.6 million project to evaluate the St. Lina heavy oil deposit near Bonnyville, Alberta.

Amoco Canada owns a 7150 cubic metres per day (45 000 barrels) interest in this Sarnia, Ontario, fractionation plant. The plant produces propane, butanes and pentanes plus for the eastern Canadian and north-central United States markets.

Supply and Transportation

Sales and delivery to markets of crude oil, liquified petroleum gas and sulphur are the responsibility of the company's Supply and Transportation Department.

Transportation and processing facilities for the natural gas liquids (NGL) produced by Amoco Canada consist of three 50 per cent owned pipelines 1070 km (665 miles) long which, together with third party systems, deliver about 5880 cubic metres per day (37 000 barrels) of NGL to fractionation facilities at Buck Creek, Alberta (50 per cent owned), or Sarnia, Ontario (48 per cent owned). The 15 000 cubic metres per day (95 000 barrels) fractionation facility at Sarnia produces propane, butanes and pentanes plus for sale in the Ontario, Quebec and north-central United States markets. Propane and butane from the smaller Buck Creek facility (317 cubic metres or 2000 barrels per day) are supplied to customers in western Canada and the northwestern United States.

Amoco Canada is one of the largest suppliers of propane and butane in eastern Canada. The company is now purchasing NGL from about 45 different plants in Alberta to make the fullest use of its liquids transportation system.

On December 31, 1979, Amoco Canada's total investment in its NGL system was approximately $41.2 million.

Mining

The mining division of Amoco Canada, headquartered in Toronto, began operations in November, 1969. It employs 23 people in its Toronto and Vancouver branch offices. A total of $29.0 million has been spent in the investigation, exploration and evaluation of mineral properties in Canada.

An agreement is being worked out with a Canadian partner for final evaluation and possible development of a 50-50 joint venture at our Detour Lake gold property in northern Ontario.

The company also spent $1.1 million in 1979 conducting an exploration program on a molybdenite property in the Yukon Territory, earning a 70 per cent interest in the property.

Employees

Amoco Canada's increased operations in 1979 necessitated substantially increased manpower levels and employee support activities. Total petroleum-related staff increased by more than 300 people to 1800 employees and is expected to reach 2000 by the end of 1980.

Important modifications were made to employee benefits during 1979. A comprehensive, company funded dental plan was introduced. An "in-service" joint and survivor option was added to the retirement plan. The savings plans were changed to allow employees with ten years' service or more to increase their company-matched contributions to 5 per cent of earnings. Access to a "Registered Home Ownership Savings Plan" was provided through payroll deduction. Improvements were made to the sickness and disability plan.

Safety and loss prevention are key company concerns. A new safety training program for supervisors was introduced during the year. With the rapid pace of technological change and the company's high growth rate, maintaining a good safety record continues to be a major objective.

1979 NET INCOME UP 37.4% ON REVENUE RISE OF 24.7%; CAPITAL AND EXPLORATION EXPENDITURES AT $363.3 MILLION

NET INCOME for the year 1979 totalled $140.7 million, or 37.4% above the $102.4 million earned in 1978. The return on average borrowed and invested capital was 21.6% in 1979 and 17.9% in 1978.

The earnings increase in 1979 was due primarily to increased revenues resulting from higher prices and sales volumes for crude oil, natural gas liquids, and natural gas. Offsetting these increased revenues were higher taxes, exploration and operating expenses, interest and administrative expenses.

ACCOUNTING PROCEDURES relating to oil and gas exploration and producing activities were modified in 1979 to conform to the uniform successful efforts method of accounting defined by the United States Financial Accounting Standards Board's Statement No. 19. The principal changes are outlined under Accounting Changes contained in the Notes to Financial Statements.

CAPITAL AND EXPLORATION EXPENDITURES amounted to $363.3 million in 1979; an increase of 31.3 per cent from the $276.6 million spent in 1978.

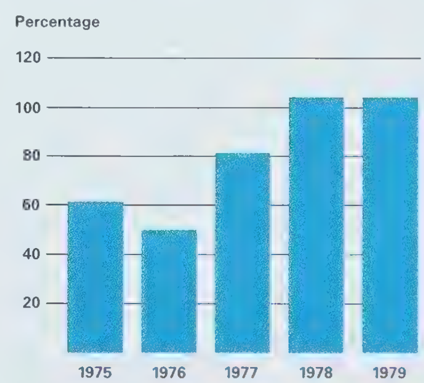
WORKING CAPITAL on December 31, 1979 totalled $86.5 million, a decrease of 16.7 per cent from the $103.9 million on December 31, 1978. The Statement of Changes In Financial Position sets forth the changes in working capital.

THE COMPANY'S textile facility at Hawkesbury, Ontario was sold in February, 1979 at fair market value to an affiliate, Amoco Fabrics Ltd. The textile operation manufactures and sells woven synthetic fabrics. The effect of the sale on the Company's financial results is not significant.

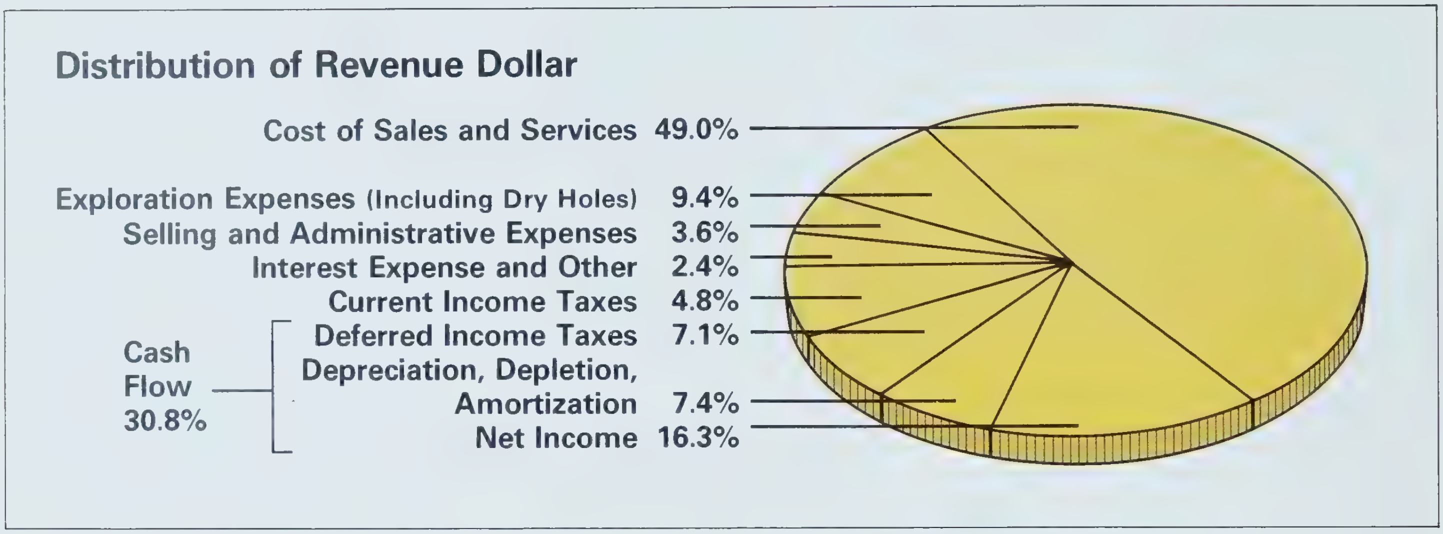
Government Share of Gross Revenues*

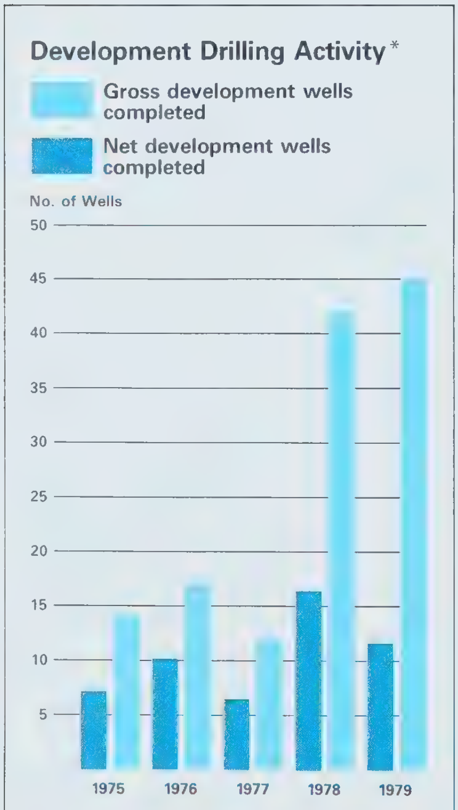
*Includes royalties, current income taxes and other taxes, but excludes bonus consideration for oil and gas rights and lease rentals which, for the year 1979, totalled $43.4 million and $7.2 million respectively.

Capital and Exploration Expenditures as a percentage of Funds from Operations*

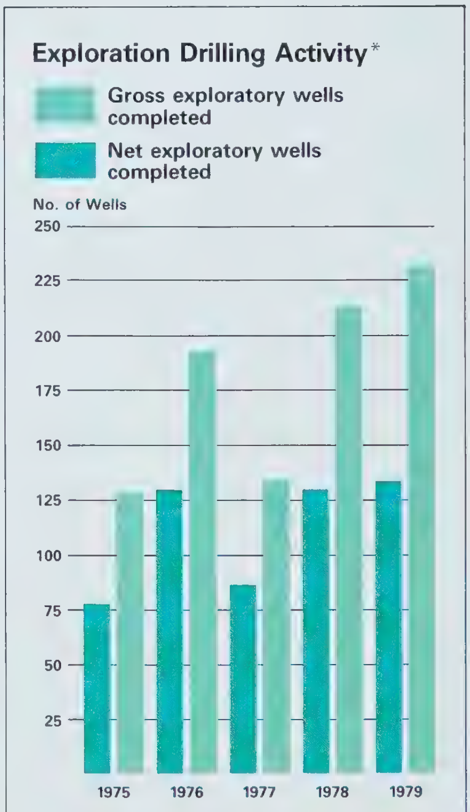


* Taken from the Energy Mines Resources Petroleum Corporations Monitoring Survey.





*Does not include field extension wells.



*Includes field extension wells.

STATEMENT OF INCOME

For The Years 1979 and 1978

	1979	1978*
Revenues		
Sales and operating revenues (net of royalties)	**$ 855 398 000**	$ 687 295 000
Other income	**6 925 000**	4 384 000
Total revenues	**862 323 000**	691 679 000
Costs and expenses		
Cost of sales and services	**422 240 000**	352 488 000
Exploration expenses	**80 740 000**	74 989 000
Selling and administrative expenses	**30 907 000**	24 825 000
Foreign currency (gain) loss	**1 535 000**	(6 540 000)
Taxes, other than income taxes (note 3)	**5 028 000**	4 717 000
Depreciation, depletion and amortization	**64 060 000**	49 816 000
Interest expense (note 7)	**13 930 000**	3 927 000
Total costs and expenses	**618 440 000**	504 222 000
Income before income taxes	**243 883 000**	187 457 000
Income taxes (note 4)	**103 187 000**	85 075 000
Net income	**$ 140 696 000**	$ 102 382 000

STATEMENT OF RETAINED EARNINGS

For The Years 1979 and 1978

	1979	1978*
Retained earnings - January 1	**$ 253 943 000**	$ 254 848 000
Adjustments (note 2):		
Adoption of FASB Statement No. 19 procedures	—	(23 157 000)
Accumulated deferred income taxes to December 31, 1973	—	(14 685 000)
	253 943 000	217 006 000
Net income	**140 696 000**	102 382 000
Dividends on preferred shares:		
Stock dividend	—	(64 093 000)
Cash dividend	**(5 755 000)**	(1 352 000)
Retained earnings - December 31	**$ 388 884 000**	$ 253 943 000

**Restated — Refer to Notes to Financial Statements*

STATEMENT OF FINANCIAL POSITION

December 31, 1979 and 1978

		1979	1978*
Assets			
Current assets	Cash	**$ 2 340 000**	$ 1 272 000
	Marketable securities - at cost, which approximates market	**15 826 000**	92 798 000
	Accounts receivable (note 5)	**249 540 000**	181 446 000
	Income taxes recoverable	**944 000**	—
	Inventories —		
	Crude oil and products	**20 935 000**	34 003 000
	Materials and supplies	**702 000**	1 754 000
	Prepaid expenses	**1 141 000**	779 000
		291 428 000	312 052 000
Investments and sundry assets	Long-term receivables (note 5)	**20 499 000**	4 869 000
	Deferred charges	**7 398 000**	2 669 000
		27 897 000	7 538 000
Property, plant and equipment	— at cost, less accumulated depreciation, depletion, and amortization (note 6)	**890 150 000**	686 376 000
		$ 1 209 475 000	$ 1 005 966 000

		1979	1978*
Liabilities and Shareholder's Equity			
Current liabilities	Notes payable	**$ —**	$ 39 940 000
	Accounts payable and accrued (note 5)	**204 908 000**	161 902 000
	Income taxes payable	**—**	6 359 000
		204 908 000	208 201 000
Deferred income	Unearned production revenue	**26 211 000**	9 366 000
Long-term debt	(note 7)	**106 392 000**	106 143 000
Deferred credits	Income taxes	**235 815 000**	174 216 000
Shareholder's equity	Capital stock (note 8)	**226 016 000**	248 761 000
	Contributed surplus (note 1)	**21 249 000**	5 336 000
	Retained earnings	**388 884 000**	253 943 000
	Total shareholder's equity	**636 149 000**	508 040 000
		$ 1 209 475 000	$ 1 005 966 000

Approved on Behalf of the Board:

F. H. Allen Director

N. J. Stewart Director

Restated — Refer to Notes to Financial Statements

STATEMENT OF CHANGES IN FINANCIAL POSITION

For The Years 1979 and 1978

	1979	1978*
Source of funds		
Net income	**$ 140 696 000**	$ 102 382 000
Expenses not requiring outlay of working capital:		
Depreciation, depletion, amortization and retirements and abandonments	**64 060 000**	49 816 000
Deferred income taxes	**61 599 000**	36 790 000
Funds provided from operations	**266 355 000**	188 988 000
New borrowings	**249 000**	100 552 000
Unearned production revenue	**16 845 000**	9 200 000
Disposition of property	**14 688 000**	4 049 000
Government grants and incentives	**15 913 000**	11 894 000
TOTAL	**$ 314 050 000**	$ 314 683 000
Application of funds		
Capital expenditures	**$ 282 522 000**	$ 201 563 000
Dividends paid on preferred shares	**5 755 000**	1 352 000
Redemption of preferred shares	**22 745 000**	130 889 000
Increase in long term receivables	**15 630 000**	162 000
Other	**4 729 000**	1 899 000
(Decrease) in working capital	**(17 331 000)**	(21 182 000)
TOTAL	**$ 314 050 000**	$ 314 683 000
Working Capital		
Increase (decrease) in current assets:		
Cash and marketable securities	**$ (75 904 000)**	$ 60 911 000
Accounts and notes receivable	**68 094 000**	(24 039 000)
Inventories	**(14 120 000)**	8 699 000
Prepaid expenses	**362 000**	(1 421 000)
Income taxes recoverable	**944 000**	—
(Increase) decrease in current liabilities:		
Notes payable	**39 940 000**	(39 940 000)
Accounts payable and accrued	**(43 006 000)**	(32 801 000)
Income taxes payable	**6 359 000**	7 409 000
(Decrease) in working capital	**$ (17 331 000)**	$ (21 182 000)

**Restated — Refer to Notes to Financial Statements*

Auditors' Report to Shareholder

We have examined the statement of financial position of Amoco Canada Petroleum Company Ltd. as at December 31, 1979 and the statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in accounting for petroleum exploration and producing activities and pre-1974 deferred income taxes referred to in Note 2 to the financial statements, on a basis consistent with that of the preceding year.

February 18, 1980
Calgary, Alberta

Price Waterhouse & Co.
Chartered Accountants

Year Ended December 31, 1979

1. Accounting policies

Inventories

All crude oil and products are valued at the lower of cost on a "First-In, First-Out" basis or net realizable value. Materials and supplies are valued at or below cost.

Exploration and development costs

The Company follows the successful efforts method of accounting as defined by the United States Financial Accounting Standards Board's Statement No. 19. Property acquisition costs, costs of successful exploratory wells (wildcat and extension wells), all development costs, and the costs of support equipment and facilities are capitalized. Costs of unsuccessful exploratory wells (wildcat and extension wells) are expensed when determined to be nonproductive. Production costs, overhead, and all exploration costs other than costs of exploratory drilling are charged against income as incurred. Mining exploration costs, which have not been material, are written off as incurred.

Depreciation, depletion and amortization

In general, depreciation of plant and equipment, other than production equipment, is computed on a straight-line basis over the estimated economic lives (5 to 40 years) of the facilities. Depletion of the cost of proven oil and gas properties, amortization of related intangible drilling and development costs and depreciation of production equipment are computed on the unit-of-production method. The portion of the costs of unproved properties estimated to be nonproductive is amortized over projected holding periods.

Retirements

Upon normal retirement or replacement of plant and equipment the gross book value of such facilities (less salvage) is charged to accumulated depreciation. Gains or losses arising from unusual retirements or sales are credited or charged to income.

Maintenance and repairs

All maintenance and repair costs are charged against income. Renewals and improvements are capitalized.

Unearned production revenue

Unearned production revenue comprises amounts received under take-or-pay gas contracts and will be taken into income when the related product is delivered to the purchaser or the makeup period expires.

Translation of foreign currencies

The Company sells a significant amount of product for export to the United States, principally to affiliated companies, which transactions are effected in U.S. currency. Accounts receivable and payable, including amounts due from or to affiliated companies, in U.S. dollars are translated at the rate of exchange prevailing at the Statement of Financial Position date. Gains or losses resulting from such translations are reflected in income as they occur.

Joint venture operations

Substantially all of the exploration and production activities of the Company are carried out through joint ventures.

Contributed surplus

The following outlines the change in contributed surplus in 1979:

	Amount (Millions of Dollars)
Balance at December 31, 1978	$ 5.3
Government grants and incentives earned during 1979	15.9
Balance at December 31, 1979	$ 21.2

The balance at December 31, 1979 consists entirely of Government grants and incentives.

In 1975 the Canadian Institute of Chartered Accountants recommended that government assistance towards the acquisition of fixed assets should be either deducted from the related fixed assets or deferred and amortized to income on the same basis as the related fixed assets are depreciated. The Company has not followed this recommendation as, in the opinion of management, the proper treatment is to include such assistance in contributed surplus. The amount of such assistance earned to date is approximately $59 million (1978 - $43 million). The effect on the Company's financial accounts is not material.

2. Accounting changes

Accounting procedures relating to petroleum exploration and producing activities were modified in 1979 to conform to the uniform successful efforts method of accounting defined by the Financial Accounting Standards Board's Statement No. 19. The principal changes are (1) development dry hole costs are now capitalized and amortized on a unit-of-production basis, (2) all geological and geophysical costs are expensed as incurred, and (3) all exploratory drilling costs are initially capitalized and costs of unsuccessful wells are charged to expense when they are determined to be nonproductive. The principal effects of the accounting changes were to increase net income by $1.4 million in 1978, to reduce retained earnings on January 1, 1978 by $23.2 million and to increase deferred income taxes by $10.9 million.

The Company commenced recording deferred income taxes in 1974 and, at that time, elected not to adjust its financial accounts to record accumulated deferred income taxes to December 31, 1973 in the amount of $14.7 million. In 1979, the Company retroactively adjusted its financial accounts to recognize the foregoing deferred income taxes.

3. Taxes other than income taxes

	1979	1978
	(Millions of Dollars)	
Property taxes	**$ 3.8**	$ 3.7
Social insurance taxes, corporate taxes, etc.	**1.2**	1.0
	$ 5.0	$ 4.7

4. Income taxes

Income taxes comprise the following:

	1979	1978
	(Millions of Dollars)	
Current	**$ 41.6**	$ 48.3
Deferred	**61.6**	36.8
	$ 103.2	$ 85.1

The amount of deferred taxes represents the following timing differences between financial and taxable income:

	1979	1978
	(Millions of Dollars)	
Oil and gas property acquisition costs	**$ 5.0**	$ 3.5
Depreciable property, plant and equipment	**8.5**	13.4
Drilling and exploration costs	**47.8**	19.9
Other	**.3**	—
Deferred income taxes	**$ 61.6**	$ 36.8

The Company has received income tax reassessment notices with respect to the taxation years 1974, 1975, and 1976 which resulted in additional taxes in the amount of $1.9 million. The Company has treated the items which were reassessed in a similar manner in subsequent years which, if reassessed on the same basis, would result in additional taxes of approximately $10.0 million. The Company is contesting the treatment of the transactions by the income tax authorities and accordingly the effect of the $1.9 million in additional income taxes has been recorded as a Deferred Charge for the year 1979 in the accompanying Statement of Financial Position.

5. Related party transactions

Amounts due to and from affiliated companies were $1.8 million and $47.8 million respectively at December 31, 1979 ($2.1 million and $14.0 million respectively at December 31, 1978). These amounts arose in the normal course of business with the exception of $17.4 million which resulted from the sale of the Company's textile facility to an affiliate, Amoco Fabrics Ltd. This amount will be repaid in equal instalments over a nine-year period commencing March 1, 1980. Sales of products to affiliated companies in 1979 amounted to $83.8 million (1978 - $61.6 million).

6. Property, plant and equipment

	1979			1978
	(Millions of Dollars)			
	Cost	**Accumulated depreciation, depletion and amortization**	**Net**	Net
Unproved properties	**$ 291.1**	**$ 74.3**	**$ 216.8**	$ 159.1
Proved properties	**484.3**	**144.4**	**339.9**	229.3
Production equipment	**441.1**	**148.4**	**292.7**	246.8
Supply and transportation facilities	**41.2**	**7.8**	**33.4**	33.4
Other property and equipment	**19.1**	**11.7**	**7.4**	17.8
	$ 1 276.8	**$ 386.6**	**$ 890.2**	$ 686.4

7. Long-term debt

	1979	1978
	(Millions of Dollars)	
Unsecured interest bearing notes payable refinanced from proceeds of 10.45% debentures issued February 15, 1979	**$ —**	$ 100.0
10.45% debentures (unsecured) due February 15, 1984	**100.0**	—
Non-interest bearing exploration and development advance due November 1, 1982	**3.3**	3.3
Other indebtedness	**3.1**	2.8
	$ 106.4	$ 106.1

The 10.45% Debentures due February 15, 1984 are unsecured and no repayment of principal is required before February 15, 1984. So long as any of the 10.45% Debentures remain outstanding, the Company covenants not to encumber any of the assets of the Company nor declare or pay any dividends (other than stock dividends) or make any other distribution on, or purchase, redeem or otherwise retire, any of its shares unless after giving effect thereto the sum of a) the aggregate amount of such dividends and other distributions declared or paid after December 31, 1978; and b) the excess of the amounts applied after December 31, 1978 to all purchases, redemptions and other retirements of shares over the net cash proceeds received by the Company after December 31, 1978, on the issue of shares, would not exceed the Consolidated Net Income earned after December 31, 1978 plus $75 million.

Interest expense of $13.9 million includes interest of $10.5 million on long-term debt and other interest of $3.4 million.

8. Capital stock

The authorized capital stock of the Company is as follows:

15 000 000	Common Shares, no par value
1 308 894	Preferred Shares, Series A, entitled to a non-cumulative cash dividend of $10 per share per annum
7 191 106	Preferred Shares, Series B, entitled to a non-cumulative cash dividend of $12 per share per annum

Capital stock transactions during the year ended December 31, 1979 were as follows:

	Common Shares		Preferred Shares Series A		Preferred Shares Series B	
	Shares (Thousands)	Amount (Millions)	Shares (Thousands)	Amount (Millions)	Shares (Thousands)	Amount (Millions)
Shares outstanding January 1, 1979	9 766	$ 97.7	—	$ —	1 511	$ 151.1
Purchased for cash	—	—	—	—	227	22.7
Shares outstanding December 31, 1979 ...	9 766	$ 97.7	—	$ —	1 284	$ 128.4

9. Commitments

Lease commitments all expire within ten years. Annual rentals payable under these leases, net of related rental income, are approximately $3.5 million.

At December 31, 1979 the Company has net commitments in the amount of $62.8 million to acquire or build facilities in the normal course of business.

The Company has pension plans which are fully funded.

10. Remuneration of directors and senior officers

The aggregate direct remuneration, including contributions to the Company's savings and retirement plans, paid by Amoco Canada to the directors and senior officers of the Company for the fiscal year ended December 31, 1979 was $0.9 million.

(Dollars in thousands)	**1979**	1978*	1977*	1976*	1975*
Income					
Revenues (after royalties)	**$ 862 323**	$ 691 679	$ 671 389	$ 489 984	$ 381 801
Income before income taxes	**243 883**	187 457	186 692	149 455	154 784
Income taxes					
Current	**41 588**	48 285	48 762	28 490	51 493
Deferred	**61 599**	36 790	37 805	41 760	19 625
Net income	**140 696**	102 382	100 125	79 205	83 666
Funds provided from operations	**266 355**	188 988	183 545	189 174	141 183
Rate of return on borrowed and invested capital (1)	**21.6%**	17.9%	20.4%	17.0%	19.0%
Distributions to shareholder (2)					
Cash dividends on preferred shares	**$ 5 755**	$ 1 352	$ 3 920	$ —	$ —
Redemption or purchase of preferred shares	**22 745**	130 889	30 424	116 053	30 000
Financial position					
Working capital	**$ 86 520**	$ 103 851	$ 125 033	$ 89 015	$ 83 072
Property, plant and equipment (net)	**890 150**	686 376	538 678	452 034	455 705
Long-term debt	**106 392**	106 143	5 591	5 381	5 103
Deferred income taxes	**235 815**	174 216	137 426	99 622	57 862
Shareholder's equity	**636 149**	508 040	526 005	445 808	473 820
Capital and exploration expenditures					
Exploration					
Property acquisition and retention	**$ 51 323**	$ 49 040	$ 43 836	$ 15 752	$ 22 555
Geophysical	**22 854**	27 961	17 387	8 073	3 328
Exploratory drilling	**196 744**	107 433	84 309	41 847	21 657
Petroleum exploration — other	**13 700**	14 849	8 958	6 082	5 502
Mineral exploration	**3 179**	3 705	5 794	3 293	3 501
	$ 287 800	$ 202 988	$ 160 284	$ 75 047	$ 56 543
Production					
Development drilling	**$ 22 542**	$ 13 884	$ 6 252	$ 2 863	$ 3 063
Production equipment	**48 170**	55 466	31 205	22 834	35 273
	$ 70 712	$ 69 350	$ 37 457	$ 25 697	$ 38 336
Other	**$ 4 750**	$ 4 214	$ 2 603	$ 1 323	$ 3 247
TOTAL	**$ 363 262**	$ 276 552	$ 200 344	$ 102 067	$ 98 126
Employees					
Number of employees, year-end	**1 816**	1 965	1 851	1 659	1 769
Salaries, wages and benefits	**$ 45 206**	$ 41 739	$ 36 189	$ 31 379	$ 27 627

NOTE (1) Expresses net earnings, plus the after-tax cost of interest on long-term debt, as a percentage of average borrowed and invested capital (shareholder's equity plus long-term debt, including current portion of long-term debt).

NOTE (2) To December 31, 1979 the Company has declared and paid stock dividends in the form of preferred shares aggregating $384.8 million, of which $256.5 million have either been redeemed or purchased.

*Restated — Refer to Notes to Financial Statements.

	1979	1978	1977	1976	1975
Production volumes (cubic metres per day)					
Crude oil					
— Before royalty	**11 867**	10 987	11 056	11 653	12 398
— After royalty	**7 145**	6 604	6 786	7 115	7 812
Natural gas liquids					
— Before royalty	**3 009**	2 534	3 160	2 923	2 902
— After royalty	**1 977**	1 653	2 107	1 984	1 998
Natural gas sales (thousand cubic metres per day)					
— Before royalty	**11 512**	10 526	10 774	11 524	11 272
— After royalty	**7 547**	6 909	7 340	7 974	8 148
Sulphur production (tonnes per day)					
— Before royalty	**1 843**	1 420	1 493	1 572	1 644
— After royalty	**1 534**	1 184	1 244	1 310	1 384
Net proved reserves — at December 31					
Crude oil (thousand cubic metres)	**30 505**	33 393	33 064	36 040	38 640
Natural gas liquids (thousand cubic metres)	**7 073**	7 311	7 216	7 077	7 311
Natural gas (million cubic metres)	**59 043**	54 166	50 036	45 157	45 664
Sulphur (thousand tonnes)	**6 484**	5 722	6 099	5 827	5 890
Product purchases (thousand cubic metres)					
Crude oil	**1 194**	1 018	1 313	426	—
Natural gas liquids and liquefied petroleum gas	**2 858**	2 824	3 352	2 555	2 279
Drilling activity*					
Gross wells completed					
Exploratory**	**231**	213	134	193	128
Development	**45**	42	12	17	14
TOTAL	**276**	255	146	210	142
Net wells completed					
Exploratory**					
Oil	**17.5**	20.8	8.8	3.6	5.3
Gas	**76.4**	77.3	30.4	73.9	31.7
Dry	**39.8**	32.2	47.7	52.7	40.6
TOTAL	**133.7**	130.3	86.9	130.2	77.6
Development					
Oil	**5.6**	7.6	2.2	1.2	2.2
Gas	**6.1**	8.9	2.6	7.4	3.7
Dry	**—**	—	1.8	1.5	1.4
TOTAL	**11.7**	16.5	6.6	10.1	7.3
Net wells owned — at December 31					
Oil	**812**	791	772	761	759
Gas	**583**	520	440	408	320
TOTAL	**1 395**	1 311	1 212	1 169	1 079
Land holdings (thousand net hectares) — at December 31					
Proved properties	**388**	319	303	390	338
Unproved properties	**5 371**	5 456	12 991	14 427	13 884
TOTAL	**5 759**	5 775	13 294	14 817	14 222

**Restated in connection with adoption of FASB No. 19.*

***Includes wildcat wells and wells drilled outside the proven area of a known reservoir but close enough to be an extension of the producing area.*

Board of Directors

Amoco Canada Petroleum Company Ltd.
December 31, 1979

Directors

George H. Galloway
Chairman of the Board and Chairman of the Executive Committee

Fraser H. Allen
President and Member of the Executive Committee

Neil J. Stewart
Vice President, Administration and Finance and Member of the Executive Committee

Frederick S. Addy
Director

Robert H. Frick
Director

Bruce R. Libin
Director

Derek G. Keaveney
Director

Additional Senior Officers

Antony Neidermayer
Vice President, Production

David Q. Martin
Vice President, Exploration

Ray W. Ballmer
Vice President, Mining

Lloyd M. Clark
General Counsel and Secretary

George L. Kirk
Controller and Treasurer

Principal Executive Offices

Amoco Canada Building
444 Seventh Avenue S.W.
Calgary, Alberta T2P 0Y2

Registrar and Transfer Agent

National Trust Company, Limited
150 Toronto Dominion Square
Calgary, Alberta T2P 3B2

Annual Meeting

The company's annual meeting will be held on June 16, 1980 at the head office of the company in Calgary.

Change of Director

On March 17, 1980, Mr. R. Donald Fullerton, president, **Canadian Imperial Bank of Commerce**, was elected to the Board of Directors of Amoco Canada Petroleum Company Ltd., replacing Derek G. Keaveney, who had resigned.

John E. Swearingen, Chairman, Standard Oil Company (Indiana), addresses a Calgary press conference. Amoco Canada's parent company selected Calgary as the location for its summer Board of Directors' meeting.

Fraser H. Allen, President, Amoco Canada Petroleum Company Ltd., was Chairman of the Canadian Petroleum Association's Board of Governors during 1979-80.

AMOCO

Amoco Canada Petroleum Company Ltd.
444 Seventh Avenue S.W.
Calgary, Alberta T2P 0Y2

Printed in Canada